

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6372

BILL NUMBER: SB 165

NOTE PREPARED: Jan 16, 2013

BILL AMENDED: Jan 15, 2013

SUBJECT: Assessed Value Cap for Veteran's Deduction.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill does the following.

Surviving Spouses: This bill provides that the following apply to the property tax deduction for veterans with a service-connected disability of at least 10% and to the property tax deduction for a veteran who has a total disability or has at least a 10% disability and is at least 62 years of age:

(1) A deceased veteran's surviving spouse is eligible for the deduction if the deceased veteran satisfied the requirements for the deduction at the time of death and the surviving spouse owns the property at the time the deduction statement is filed (regardless of whether the property for which the deduction is claimed was owned by the deceased veteran or the surviving spouse before the deceased veteran's death).

(2) A deceased veteran's surviving spouse who first applies for the deduction after 2012 is eligible for the deduction only if the property is the surviving's spouse's homestead.

Qualifying AV Cap: The bill also increases the assessed value cap (from \$143,160 to \$195,600) that applies to the property tax deduction for a veteran who has a total disability or has at least a 10% disability and is at least 62 years of age.

Effective Date: (Amended) Upon Passage; July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Qualifying AV Cap - Summary:* Beginning with taxes payable in 2014, this bill could result in an estimated additional 3,700 deductions for totally disabled veterans. The total amount of the deduction could increase by about \$40 M. The additional deduction amount would annually shift about \$950,000 in taxes statewide from disabled veterans to all other taxpayers. Rate-controlled funds would lose revenue equal to the loss in net AV multiplied by the fund rate. A small increase in the amount of circuit breaker loss is also possible in certain areas. (Please see the table at the end of this document for a list of the estimated tax shifts by county.)

(Revised) *Surviving Spouses - Summary:* This bill could result in an increase in the number of disabled veteran property tax deductions claimed by surviving spouses. The number and value of the additional deductions is not known. In general, the additional deductions would reduce the AV tax base which would lead to increased tax rates. The higher tax rates would cause a tax shift from the taxpayers receiving the deductions to all other taxpayers. In addition, the increased tax rates would cause circuit breaker credits in some areas to rise.

(Revised) *Background Information:*

Qualifying AV Cap - For the totally disabled veteran deduction (nonservice-connected), this bill would increase the current AV \$143,160 qualifying cap to \$195,600 beginning with taxes payable in CY 2014.

For taxes payable in 2012 (2010 in LaPorte County), approximately 15,100 veterans received totally disabled veteran property tax deductions in the amount of \$166.3 M. Most, but not all, veterans deductions are taken against a homestead's AV. For purposes of this analysis, the AV of all single-family homestead residences was reviewed. The review shows 1,092,340 homesteads have an AV less than \$143,160. Another 268,207 homesteads have an AV between \$143,160 and \$195,600. The increase in the number of deductions under this provision is estimated at 24.6%. The increase in the total deduction amount and resulting tax shift were estimated individually for each county and aggregated to the total statewide estimate.

Surviving Spouses - Under current law, certain disabled veterans or their surviving spouses are eligible for a property tax deduction against any real or personal property that they may own. There are two disabled veteran deductions. In both cases, a surviving spouse is eligible for the deduction if the veteran "would qualify for the deduction if the individual were alive." According to the Department of Local Government Finance (DLGF), a surviving spouse is not entitled to the deduction if the disabled veteran's name was not on the deed to the property.

Beginning with taxes payable in 2014, this bill would permit a surviving spouse to claim the deduction for the spouse's homestead if the veteran met all qualifications other than ownership of the property. The deduction would apply to a homestead that the surviving spouse owns or purchases at any time.

Veterans Deductions - Under current law, there are two property tax deductions available to disabled veterans. Veterans who qualify may receive both disabled veteran deductions. Properties that are co-owned by more than one disabled veteran are subject to multiple deductions.

Veterans with wartime service and a service-connected disability of at least 10% or their surviving spouses are

entitled to a property tax deduction of \$24,960 on their real or personal property. There are no qualifications on AV.

In addition, veterans or their surviving spouses are currently entitled to a property tax deduction of \$12,480 on their real or personal property if the veteran is either totally disabled or at least age 62 with a disability of 10% or more. The disability need not be service-connected nor does the service need to be wartime service. In order to qualify, the AV of the property must be less than \$143,160.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources: LSA Parcel-Level Property Tax Database; IDVA Annual Conference Presentation, Department of Local Government Finance (DLGF), www.in.gov/dlgf/files/Veterans_Presentation.pdf.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

**Estimated Tax Shift From
Disabled Veteran Deduction AV Cap Change**

County	Impact	County	Impact
01 Adams	1,600	47 Lawrence	3,500
02 Allen	43,100	48 Madison	25,300
03 Bartholomew	10,300	49 Marion	85,500
04 Benton	100	50 Marshall	5,600
05 Blackford	500	51 Martin	500
06 Boone	8,300	52 Miami	5,300
07 Brown	4,600	53 Monroe	19,700
08 Carroll	700	54 Montgomery	2,800
09 Cass	2,100	55 Morgan	8,100
10 Clark	47,500	56 Newton	600
11 Clay	1,100	57 Noble	100
12 Clinton	1,500	58 Ohio	400
13 Crawford	400	59 Orange	500
14 Daviess	2,600	60 Owen	1,100
15 Dearborn	35,000	61 Parke	500
16 Decatur	600	62 Perry	600
17 DeKalb	600	63 Pike	400
18 Delaware	17,700	64 Porter	27,900
19 Dubois	4,500	65 Posey	3,100
20 Elkhart	52,700	66 Pulaski	400
21 Fayette	2,600	67 Putnam	14,300
22 Floyd	15,400	68 Randolph	1,000
23 Fountain	400	69 Ripley	3,100
24 Franklin	1,900	70 Rush	100
25 Fulton	400	71 St. Joseph	42,600
26 Gibson	4,700	72 Scott	2,300
27 Grant	9,800	73 Shelby	4,500
28 Greene	600	74 Spencer	2,600
29 Hamilton	33,700	75 Starke	200
30 Hancock	37,000	76 Steuben	1,500
31 Harrison	4,500	77 Sullivan	2,300
32 Hendricks	106,000	78 Switzerland	600
33 Henry	4,000	79 Tippecanoe	8,700
34 Howard	9,600	80 Tipton	500
35 Huntington	2,200	81 Union	400
36 Jackson	4,500	82 Vanderburgh	21,500
37 Jasper	500	83 Vermillion	900
38 Jay	400	84 Vigo	13,100
39 Jefferson	8,000	85 Wabash	2,800
40 Jennings	1,800	86 Warren	40
41 Johnson	22,800	87 Warrick	10,100
42 Knox	7,000	88 Washington	3,600
43 Kosciusko	5,800	89 Wayne	7,300
44 LaGrange	2,000	90 Wells	3,300
45 Lake	70,200	91 White	1,300
46 LaPorte	13,400	92 Whitley	8,000
		953,240	